

# India & The WTO

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## Maran cautions against another Seattle: Exchange of views with the EU —

Mr. Murasoli Maran, Minister of Commerce & Industry, exchanged views with the EU Trade Commissioner / Mr. Pascal Lamy at Lisbon on the sidelines of the first Indo-EU Summit. While agreeing to engage India in strengthening the multilateral trading system, Mr. Maran underlined the need to avert another Seattle. The Indo - EU declaration has accordingly highlighted India's concerns for giving priority to implementation issues and constructive negotiations on the built-in agenda of the WTO.

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## WTO AGREEMENT ON AGRICULTURE — A BACKGROUND PAPER

Under Article 20 of the Agreement on Agriculture (AOA) which emerged from the Uruguay Round of Multilateral Trade Negotiations, the review of the Agreement is mandated one year before the end of the six-year implementation period of the Agreement i.e., 2000, with the objective of continuing the process of reform in the world trade in agriculture. The negotiations have commenced in March this year and in accordance with the time-table set for the first phase of negotiations, all WTO member nations are expected to submit their proposals by 31 December, 2000. In the process of preparations for evolving India's negotiating position on agriculture, the government has initiated regional consultations at various places, besides national level consultations with a view to generating greater awareness of the issues and to receive views and suggestions which would facilitate a consensus regarding India's position. In its continuing effort to promote transparency, the Ministry of Commerce & Industry (Department of Commerce) has already decided to put on its website a series of background papers on important WTO related issues. The second in the series of such background papers relates to the WTO Agreement on Agriculture and can be accessed at: <http://commin.nic.in>. You are invited to e-mail your comments and suggestions to: [abhatia@ub.delhi.nic.in](mailto:abhatia@ub.delhi.nic.in) which would serve as useful inputs in evolving our stand in the ongoing negotiations under the WTO Agreement on Agriculture.

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## Prabir Sengupta takes over as Commerce Secretary

Mr. Prabir Sengupta took over as Secretary, Department of Commerce in the Ministry of Commerce & Industry on **1 June, 2000**. Belonging to the IAS (1965: Assam - Meghalaya cadre), Mr. Sengupta was Secretary in the Ministry of Defence (Department of Defence Production) and prior to this had held various senior positions including that of Secretary in the Ministry of Petroleum and Natural Gas and Secretary, Department of Heavy Industries.

Text

## WTO Agreement on Agriculture

### INTRODUCTION

After over 7 years of negotiations the Uruguay Round multilateral trade negotiations were concluded on December 15, 1993 and were formally ratified in April 1994 at Marrakesh, Morocco. The WTO Agreement on Agriculture was one of the many agreements which were negotiated during the Uruguay Round.

The implementation of the Agreement on Agriculture started with effect from January 1, 1995. As per the provisions of the Agreement, the developed countries would complete their reduction commitments within 6 years, i.e., by the year 2000, whereas the commitments of the developing countries would be completed within 10 years, i.e., by the year 2004. The least developed countries are not required to make any reductions.

The products, which are included within the purview of this agreement are what are normally considered as part of agriculture except that it excludes fishery and forestry products as well as rubber, jute, sisal, abaca and coir. The exact product coverage can be accessed in the legal text of the agreement from the web site <http://www.wto.org>.

### SILENT FEATURES

The WTO Agreement on Agriculture contains provisions in 3 broad areas of agriculture and trade policy: market access, domestic support and export subsidies.

#### Market Access

This includes tariffication, tariff reduction and access opportunities. Tariffication means that all non-tariff barriers such as quotas, variable levies, minimum import prices, discretionary licensing, state trading measures, voluntary restraint agreements etc. need to be abolished and converted into an equivalent tariff. Ordinary tariffs including those resulting from their tariffication are to be reduced by an average of 36% with minimum rate of reduction of 15% for each tariff item over a 6 year period. Developing countries are required to reduce tariffs by 24% in 10 years. Developing countries as were maintaining Quantitative

Restrictions due to balance of payment problems, were allowed to offer ceiling bindings instead of tariffication.

**Special safeguard** provision allows the imposition of additional duties when there are either import surges above a particular level or particularly low import prices as compared to 1986-88 levels.

It has also been stipulated that **minimum access** equal to 3% of domestic consumption in 1986-88 will have to be established for the year 1995 rising to 5% at end of the implementation period.

#### Domestic support

For domestic support policies, subject to reduction commitments, the total support given in 1986-88, measured by the total Aggregate Measurement of Support (AMS) should be reduced by 20% in developed countries (13.3% in developing countries). Reduction commitments refer to total levels of support and not to individual commodities. Policies which amount to domestic support both under the product specific and non-product specific categories at less than 5% of the value of production for developed countries and less than 10% for developing countries are also excluded from any reduction commitments. Policies which have no or at most minimal trade distorting effects on production are excluded from any reduction commitments (Green Box-Annex 2 of the Agreement on Agriculture - <http://www.wto.org>). The list of exempted green box policies includes such policies which provide services or benefits to agriculture or the rural community, public stock holding for food security purposes, domestic food aid and certain de-coupled payments to producers including direct payments to production limiting programmes, provided certain conditions are met.

**Special and Differential Treatment** provisions are also available for developing country members. These include purchases for and sales from food security stocks at administered prices provided that the subsidy to producers is included in calculation of AMS. Developing countries are permitted untargeted subsidised food distribution to meet requirements of the urban and rural poor. Also excluded for developing

countries are investment subsidies that are generally available to agriculture and agricultural input subsidies generally available to low income and resource poor farmers in these countries.

## Export Subsidies

The Agreement contains provisions regarding member's commitment to reduce Export Subsidies. Developed countries are required to reduce their export subsidy expenditure by 36% and volume by 21% in 6 years, in equal instalment (from 1986-1990 levels). For developing countries the percentage cuts are 24% and 14% respectively in equal annual installment over 10 years. The Agreement also specifies that for products not subject to export subsidy reduction commitments, no such subsidies can be granted in the future.

## INDIA'S COMMITMENTS

### Market Access

As India was maintaining Quarantine Restrictions due to balance of payments reasons (which is a GATT consistent measure), it did not have to undertake any commitments in regard to market access. **The only commitment India has undertaken is to bind its primary agricultural products at 100%; processed foods at 150% and edible oil at 300%. Of course, for some agricultural products like skimmed milk powder, maize, rice, spelt wheat, millets etc. which had been bound at zero or at low bound rates, negotiations under Article XXVIII of GATT were successfully completed in December, 1999 and the bound rates have been raised substantially.**

### Domestic Support

India does not provide any product specific support other than market price support. During the reference period (1986-88), India had market price support programmes for 22 products, out of which 19 are included in our list of commitments filed under GATT. The products are: rice, wheat, bajra, jawar, maize, barley, gram, groundnut, rapeseed, toria, cotton, soyabean, (yellow), soyabean (black), urad, moong, tur, tobacco, jute and sugarcane. The total product specific AMS was (-) Rs. 24,442 crores during the base period. The negative figure arises from the fact that during the base period, except for tobacco and sugarcane, international prices of all products was higher than domestic prices, and the product specific AMS is to be

calculated by subtracting the domestic price from the international price and then multiplying the resultant figure by the quantity of production.

Non-product specific subsidy is calculated by taking into account subsidies given for fertilisers, water, seeds, credit and electricity. During the reference period the total non-product specific AMS was Rs. 4581 crores. Taking both product specific and non-product specific AMS into account, the total AMS was (-) Rs.19,869 crores i.e., about (-) 18% of the value of total agricultural output.

**Since our total AMS is negative and that too by a huge magnitude, the question of our undertaking reduction commitment did not arise. As such, we have not undertaken any commitment in our schedule filed under GATT.** The calculations for the marketing year 1995-96 show the product specific AMS figure as (-) 38.47% and non-product specific AMS as 7.52% of the total value of production. We can further deduct from these calculations the domestic support extended to low income and resource poor farmers provided under Article 6 of the Agreement on Agriculture. This still keeps our aggregate AMS below the *de minimis* level of 10%.

India's notifications on AMS are available at website address: [www.wto.org/wto/online/ddf.htm](http://www.wto.org/wto/online/ddf.htm).

### Export Subsidies

**In India, exporters of agricultural commodities do not get any direct subsidy.** The only subsidies available to them are in the form of (a) exemption of export profit from income tax under section 80-HHC of the Income Tax Act and this is also not one of the listed subsidies as the entire income from Agriculture is exempt from Income Tax per se. (b) subsidies on cost of freight on export shipments of certain products like fruits, vegetables and floricultural products. We have, in fact, indicated in our schedule of commitments that India reserves the right to take recourse to subsidies (such as, cash compensatory support) during the implementation period.

## MANDATED NEGOTIATIONS

Article 20 of the Agreement on Agriculture (<http://www.wto.org>) mandates that negotiations for continuing the reform process in agriculture will be initiated one year before the end of the implementation period. As the implementation period for developed

countries culminates at the end of the year 2000, the negotiations on the Agreement on Agriculture have begun this year.

These negotiations are to be conducted in special sessions of the WTO Committee on Agriculture at Geneva. The following are to be the broad parameters for carrying out negotiations:

- a. Experience of member countries in implementation of reduction commitments till date.
- b. The effects of reduction commitments on World Trade in Agriculture.
- c. Non-trade concerns, special and differential treatment to developing country members and the objectives of establishing a fair and market oriented agricultural trading system are the other objectives of the negotiations.
- d. What further commitments are necessary to achieve the long term objectives of the Agreement.

During extensive deliberations in the WTO Committee on Agriculture and in the General Council, member countries have agreed to broadly adhere to the mandate of Article 20 of the Agreement. Members have also agreed to submit their proposals by the end of this year.

## STATE OF PLAY

Through formal and informal discussions in the Committee on Agriculture, the WTO membership has been debating on various issues of concern to them. The demarcation in various groups of countries has now become clearer. The EU, certain Nordic countries like Norway and Japan are on the one side, wanting to continue their subsidy regimes in agriculture, whereas the Cairns group of countries who are naturally endowed agriculture producers, are totally opposed to the trade distorting subsidies and the protectionist regime being practiced by EU and Japan. The United States, though opposing EU and not completely with the Cairns group either, forms the third dimension. The developing countries are somewhere in the middle, not having decided whether or not to form a 4th dimension.

The Cairns group of countries, votaries of unrestricted trade, comprises a group of 18 major agricultural exporting countries. They have listed the elimination of export subsidies and domestic subsidies as goals of the ongoing agricultural negotiations at the World Trade

Organisation. They have also called for better information and analysis of tariff rates, quota administration, export subsidies, domestic support programmes and market access as well as members position on bio-technology and Genetically Modified Organisms.

The U.S agenda for negotiations would be driven by further trade liberalisation in the agricultural sector, which would benefit US interests. There is likely to be an emphasis on global tariff reduction on agricultural products, greater transparency and improved disciplines on state trading enterprises, proper implementation of tariff rate quotas and greater disciplines on bio-technology, as well as, further strengthening of the sanitary and phytosanitary agreement.

The European Union is more vulnerable to attack in the WTO on the issue of its distortion of markets through domestic subsidisation of agriculture. In the context of further liberalisation, EU would strongly defend its "Blue Box" policies. They feel that in case Blue Box is to be abolished, the WTO contracting parties will have to agree to change of the present rules in the Agreement on Agriculture. The EU would be pressing at the international level for improvements in food safety and food quality standards as well as in supporting environmental and social sustainability. It is, thus, apparent that EU intends to maintain protection of its agricultural industry at the highest possible level while maximising concessions to be gained in other country markets.

**Japan** highlights the importance of the multifunctional role of agriculture, food security and a fair balance between rights and duties of importing and exporting countries from the standpoint of a net importer of farm products.

**India's** position has been articulated in WT/GC/W/152 available at the web site <http://www.wto.org>. Briefly, it has been emphasised that Article 20 of the Agreement adequately reflects both the emphasis and context in which these negotiations should be entered upon. The most important aspect of the negotiations would be to address implementation problems up front, in the areas of **market access, domestic support, export subsidy, notification requirements & technical assistance**. The inadequate implementation of *special & differential provisions* in the above mentioned areas is a cause of particular concern to us.

*India has suggested that an in-depth analysis and assessment of the effect of the Uruguay Round on the trade of developing countries should be an essential pre-requisite of any negotiations.*

We have also drawn attention to the peculiar agricultural scenario obtaining in large agrarian economies like India, where rural employment and production of sufficient food to meet the domestic requirements are of paramount importance. Thus, for addressing food security issues, a certain degree of autonomy and flexibility is required by developing countries in their domestic policies. These concerns have been articulated not with the intention of creating a negotiating base but with the hope that the forthcoming negotiations would provide us adequate opportunity to pursue our legitimate trade and non-trade concerns.

## LIKELY ISSUES FOR NEGOTIATIONS AND POSSIBLE INDIAN STAND

### Market Access:

- i) High agricultural tariffs and tariff peaks being applied by some WTO members are significant barriers to meaningful market access opportunities. We would have to very carefully articulate it as India will need to have a reasonable level of tariff protection for taking care of its food security and rural employment concerns.
- ii) Tariff escalation is another factor, which discourages developing countries from diversifying from primary commodity production to processed value added agricultural products for export purposes.
- iii) The operation of tariff rate quotas in a non-transparent and complex manner limits trade opportunities of new suppliers, particularly from developing countries. In this context, thus, guidelines on TRQ allocation and administration would be sought so as to enhance market access opportunities. **It may be desirable to press for the elimination of tariff rate quota system itself.**
- iv) Certain aspects of sanitary and phytosanitary measures which limit market access particularly for exports of developing countries would also figure prominently in the forthcoming negotiations.

- v) The special safeguard provisions, which are available to only a few Member countries, would also be coming up for review and India would press for its availability to all developing countries.

### Domestic Support:

- i) During the course of implementation of obligations/commitments, a number of member countries particularly from the developing world have experienced difficulty in calculating and notifying their aggregate measurement of support (AMS) on account of the following factors:-
  - a) Financial/resource constraints limit the capacity of most developing countries to provide support to their agricultural sector even upto the *de minimis* level.
  - b) Lack of clarity in the agreement with regard to the treatment of negative AMS and "excessive inflation", reduces the flexibility provided to developing countries during the Uruguay Round to address their domestic policy concerns.

Such implementation issues would require clarification during the current negotiations.

- ii) The 'Green Box' should be revisited for a further tightening of criteria as it currently incorporates various provisions for support, many of which are not non-trade distorting. Moreover, as it is currently designed, it is not of much assistance to developing countries as it does not reflect their support programmes.
- iii) The 'Blue Box' measures which refer to direct payments to farmers under production limiting programmes which are currently exempt from AMS reduction commitments, should either be totally dispensed with or alternatively should be subject to reduction commitments.
- iv) Ways and means to incorporate increased flexibility in the level and use of *de minimis* support would also be discussed.

### Export Subsidies:

- i) Export subsidies are universally acknowledged to be the single most trade distortive impact in agriculture because of their potential of displacing developing country exports. There would be a strong demand for a complete outlawing of export subsidies. India would also press for it. However, as long as the export subsidies are permitted to be

given by any country above the de minimis limit provided under the WTO's Subsidies and Countervailing Measures agreement, India should also have right to give export subsidies upto an appropriate level.

- ii) Establishment of disciplines in the field of **export credits, guarantees and deferred payments** which have a negative effect on prices and competition in the world agricultural market, would be insisted and India would like it to be also included under the disciplines of Export Subsidies.
- iii) On account of ambiguity in the existing language of the Agreement on Agriculture, certain countries are resorting to 'rolling over of export subsidies'. This practice would need to be suitably addressed as it amounts to negation of reduction commitments.

### Non Trade Concerns:

The Non Trade Concerns (NTC's) including food security and the need to protect the environment, alluded to in Article 20 of the Agreement on Agriculture would be taken into account during negotiations.

Food Security for India is not only availability of sufficient food but also adequate means to procure the same. Eminent agricultural economists and scientists like Dr. Swaminathan also believe that food security is economic access to food. Accordingly this has ramifications for employment and livelihood. For developing countries like India which are still grappling with the twin problems of poverty and unemployment, the production of food and economic access to it are primary objectives. As opposed to this certain developed countries are advocating **multifunctional** character of agriculture which essentially signifies that agriculture has functions other than providing food and fibre and also includes the protection of environment and maintaining the economic viability or rural areas. Viewed against the needs of developing countries concerns about the maintenance of rural landscape appear to be hollow. Any attempts to try and equate the two different scenarios and continue heavy subsidisation of agriculture would be resisted. The concept of multifunctionality needs to be examined from the perspective of developing countries. Here, we would like to highlight the fact that the

non-trade concerns of developed countries and those of developing countries differ not only in content but in priority also.

For countries like India, multifunctionality of agriculture is best manifested in its ramifications in areas such as food security, employment and the elimination of poverty in rural areas. Moreover, these issues are neither emotive nor undefined but are practical and harsh realities which decision makers have to confront when addressing issues of agricultural policies. The need to provide employment opportunities in pre-dominantly rural agrarian areas is one of the main NTCs which India would like to see addressed.

### Biotechnology:

Biotechnological inventions are increasingly affecting agricultural production and trade. New genetically engineered varieties of crops have increased productivity and are more pest resistant. This has important ramification for increasing productivity which is of central concern to almost all developing countries. To this extent, we would support carefully controlled use of biotechnology in agriculture. At the same time, there are environmental concerns relating to biotechnology. It is feared that Genetically Modified Organisms (GMOs), not having been fully tested for their effect on human health or the environment, should be treated as a class apart. There are also fears that new technologies like the so called '*terminator gene*' could imbalance the ecosystem if it spreads beyond controlled production areas.

A concrete country position needs to be evolved in this regard.

### Strengthening of the Special & Differential Treatment:

Special & Differential Treatment accorded to developing countries under the Uruguay Round would be another area of importance to developing countries. These special provisions were designed to take into account the constraints faced by many developing countries in taking advantage of trading opportunities due to structural problems like inadequate infrastructure, lack of resources etc. *The existing imbalance and problems of implementation of the agreement would be a high priority item in the next round.*

## Annexures

### **FOOD SECURITY-AN IMPORTANT NON-TRADE CONCERN**

#### *(Informal Paper by India)*

1. The objective of the Agreement on Agriculture (AOA) was to bring about discipline in one of the most distorted sectors of trade, by, inter alia, disciplining the unrestricted use of production and export subsidies, as well as by reducing import barriers, including non-tariff barriers. Thus, the AOA sought to limit the extent of support granted by individual countries and attempted to ensure that countries adopt a more liberal policy as far as agricultural trade was concerned. At the same time, as indicated in the Preamble, the AOA recognised non-trade concerns (NTCs) of countries. These NTCs amongst others include food security and the need to protect the environment.
2. However, this fine balance between trade and non-trade concerns, as mandated in the Preamble, does not appear to have been fully reflected in the provisions of the Agreement and consequently in its implementation. The major thrust of the Agreement appears to be based on the hypothesis that liberalisation is the panacea of all ills in the agricultural sector. While this may be tenable from a conventional economic view point, such a reasoning does not take into account the problems faced by a number of developing countries, which because of certain underlying constraints, have to necessarily take into account non trade concerns such as food security, while formulating their domestic policies. This is particularly true of developing countries, where a significant percentage of the population is not only dependent on the agricultural sector for its livelihood, but is also surviving just around the 'poverty line'. In such countries a purely market oriented approach may not be appropriate. Instead, for some countries it may be necessary to adopt, what we would like to term a 'market plus approach', in which non trade concerns such as the maintenance of livelihood of the agrarian peasantry and the production of sufficient food to meet domestic needs are taken into consideration. We, therefore, feel that at this juncture it is important to closely examine this aspect of the AOA, so as to ensure that the reform process in the agriculture sector takes into consideration the food security and other non trade concerns of countries like India.
3. Ensuring food security, that is the access of the population to sufficient food to meet its nutritional requirements is a basic objective of governmental policies in agrarian developing countries. Hence, food security issues cover not only issues related to the availability and stability of food supplies but also to issues of access to this supply i.e. related to the resources that may be needed to procure the required quantity of food. It is therefore clear that issues related to food security are sensitive issues and hence countries in which a large percentage of population is dependent on this sector, would like to have a certain degree of autonomy and flexibility in determining their domestic agricultural policies. These policies would naturally be geared towards improving productivity, enhancing income levels, reducing vulnerability to market fluctuations, ensuring stability of prices etc. Inter alia, this would be achieved through reliability of production and supplies, so that seasonal variations in access to food are minimal. It is for this reason that national food production policies have been central to domestic agricultural policies not just for developing countries, but also for the developed countries who are net importers of food, as has been brought out in the papers submitted by Norway and Japan. It is, therefore, clear that in this sense food security is a legitimate national concern and has been so recognised by the FAO (Food & Agriculture Organisation). In fact, during the World Food Summit of 1996 "the importance for food security of sustainable agriculture, fisheries, forestry and rural development in low and high potential areas" was explicitly recognised. This recognition of the importance of food security even for low potential areas clearly underlines a developmental perspective which goes beyond mere trade concerns, and is, therefore, germane to the outlook and interest of developing countries.
4. Let us, therefore, examine both the external and internal dimensions of this problem particularly from the perspective of developing countries.
5. Countries which argue and support rapid liberalisation of the agricultural sector contend that global food sufficiency would in a way ensure food security since countries could then produce what

they are most competent and efficient in, while importing the rest of their food requirements. Such an argument presupposes that all countries would at all times have sufficient foreign exchange to procure their food requirements internationally. This assumption is obviously not true since not all developing countries would be in a position to import food grains, even if these were available at competitive prices, due to their limited foreign exchange reserves. Moreover, these countries often face cross sectoral pressures on their available funds, which further limits their capacity to procure internationally. This problem is further compounded in case there are unforeseen variations in the international prices.

6. Similarly, there are various internal constraints which if not appropriately addressed, would severely limit the capacity of developing countries to increase domestic production, to at least a certain minimum percentage of their requirement. Firstly, holdings are small and the majority of farmers belong to the small and marginal category. This limits any attempts to introduce mechanised farming and also constrains the adoption of new technologies unless accompanied by large scale extension programmes. Consequently, the productivity is low and the total production varies substantially, since a large percentage of the agricultural sector continues to be at the mercy of the vagaries of nature. Further, only a small percentage of what is produced finds itself in the market, the rest being used by the small and marginal farmers for sustenance or for simple barter. At the same time, there is increasing pressure on land from non agricultural users, both because of the rising level of urbanisation as also because of the geographic spread of industries. If this limitation on the availability of agricultural land is viewed in the context of the growth in population, which most of the developing countries invariably face, it would be clear that the only way in which agricultural growth can be sustained and the objective of food security attained, would be through increased governmental support in the use of inputs, particularly in terms of irrigation, electricity, fertilisers, pesticides, technical know-how, high yielding varieties, infrastructural development, market support etc.
7. It is, therefore, clear that there are significant external and internal ramifications of attaining the objectives of food security. While it may not be

possible to immediately ensure that developing countries are able to produce at least a certain minimum percentage of their annual food requirement, this is a goal which has to be pursued, particularly in light of the constraints that developing countries would face in adopting an external solution to this problem. Recognising the percentage of small farmers in the agricultural sector of most developing countries, it is clear that a major part of the financial burden of increased inputs would have to be met through governmental subsidies. It would need to be recognised that the small farmer would not be able to meet his principal responsibility without adequate support from government. Public intervention would therefore be necessary in order to achieve these national goals.

8. Finally, it needs to be said that agricultural self reliance forms a vital underpinning for the growth of the GDP of agrarian developing economies since good agricultural production provides purchasing power to a large majority of a population, which in turn spurts industrial growth. Self-sufficiency in food production has therefore a specific developmental perspective as opposed to a purely commercial perspective. Hence, it is our view that developing countries need to be provided the requisite flexibility within the AOA to pursue their legitimate non trade concerns. More specifically, developing countries need to be allowed to provide domestic support in the agricultural sector to meet the challenges of food security and to be able to preserve the viability of rural employment, as different from the trade distortive support and subsidies presently permitted by the Agreement. It is therefore important that a differentiation is made between such domestic support measures which are presently being used to carve out a niche in the international trade and between those measures which would allow developing countries to alleviate rural poverty.
9. India is anxious that the AIE process must therefore examine the manner in which developing countries can be provided additional flexibilities by appropriate adjustments to the provisions of the AOA, in order to enable them to pursue their legitimate non- trade concerns. India believes that a focussed discussion on the subject will contribute to increased awareness to the non-trade concerns of countries like India, such as food security and

rural employment, and thus enable the WTO Membership to deal with the subject of continuation of the reform process in the agricultural sector with sensitivity to these concerns.

## ISSUES OF INTEREST TO DEVELOPING COUNTRIES

### *(Informal Paper by India)*

India welcomes the papers submitted by Pakistan, Peru and the Dominican Republic (AIE/6) and the paper submitted by Cuba (AIE/12) on the issues of interest to developing countries. We would also like to thank the Secretariat for their paper on the special and differential (S&D) treatment provisions relating to the AOA (AIE/S6) and the studies on the implementation and impact of the AOA on developing countries (AIE/S7). These papers provide extremely useful factual data in the context of the issues which have been highlighted by delegations regarding the S&D provisions for developing countries.

1. India would like to reiterate the importance that it attaches to the special and differential treatment provisions as provided for in the AOA. Since we are in a process, which we hope will help to clarify some of the issues which are likely to be deliberated upon during the new round of negotiations, it would not be out of context to recapitulate some of the concerns which developing countries had during the UR and which were sought to be allayed by the S&D provisions.
2. As is well known a large number of developing countries are predominantly agrarian countries where a very large percentage of the population is dependent on agriculture for its livelihood. While in the initial years the main concern of these Members was to ensure food sufficiency, this concern, once fulfilled, gradually evolved into a concern of finding markets for their agricultural surpluses, so as to ensure the continued provision of agricultural livelihood to this large population. During the UR these concerns got manifested into two broad areas. The first of these broad provisions related to domestic support which allowed developing countries to provide assistance, whether direct or indirect, to encourage agricultural production as an integral part of the overall objective of rural development.

The second area related to the market access, where it was felt that there was a need to improve access for developing country Members by improving both the opportunities and terms of access for agricultural products of interest to these Members.

3. These two very broad aspects were sought to be translated in to specific provisions for the developing countries. As highlighted in the Secretariat paper AIE/S6 there are five broad areas where special and differential provisions have been provided for in the AOA. These include the following, which in our view merit detailed deliberations:
  - i. **market access;**
  - ii. **food security, with specific reference to net food importing countries;**
  - iii. **domestic support commitment;**
  - iv. **export subsidy commitment; and**
  - v. **notification requirements and technical assistance.**
1. All these five areas need to be considered in detail during the course of this informal process of analysis and information exchange since they have important ramifications for developing countries. For example in the context of the improved market access which the Agreement had sought to provide to developing countries, India would like to draw attention to the first special and differential treatment provision highlighted in the Secretariat doc. No. AIE/S6. The preamble of the Agreement specifically mandates developed countries to provide greater opportunity and market access to the agricultural products of interest to developing countries. Unfortunately, however, the status of implementation as far as this provision is concerned is not totally clear from the information provided in the Secretariat paper. Members have already highlighted some of the specific areas where we need additional information to correctly evaluate the impact of the Uruguay Round. We would like to highlight one specific area where we need certain clarifications. On page 2 of the Secretariat paper AIE/S6 it has been indicated that there has been a "greater-than-average reduction in tariffs on products of interest to developing countries". The factual situation would perhaps have been clearer if figures relating to specific products had been

provided. We no doubt agree that compiling data for all products may not be possible but it would be helpful if this committee could analyse the post-UR status for at least some products of interest to developing countries. In this context, we would like to draw attention to a World Bank Policy Research Working Paper titled "Agricultural Trade Liberalisation in the UR", in which it has been indicated that the post-UR base tariffs of a number of sensitive commodities in many industrialised countries are higher than the actual tariff equivalents of all border measures which existed in 1986-88. For instance, for rice, which is of particular interest to India, the World Bank had calculated that the tariff differential for a particular group of countries had increased by as much as 207%. It would therefore be helpful if the Secretariat could perhaps provide additional data as far as some specific products are concerned, since this would help us to better analyse the impact of the AOA on developing countries.

2. Similarly issues of food security also need to be adequately addressed. The preamble to the Agreement specifically highlights the need for Members to take into account non trade concerns such as food security. While this term has been extensively used in the past, we are not entirely sure whether the objectives relating to food security which have so clearly been spelt out in the preamble, have been met. In this context it may be mentioned that it was in the Bali Declaration of the Non-Aligned Movement that an attempt was made, perhaps for the first time, to define food security. The Declaration recognised that in spite of substantial increase in the world's food output, the number of people suffering from hunger and malnutrition had increased in many developing countries. India therefore feels that it is extremely important that one of the goals of agricultural trade liberalisation remains, the achievement of the objective of food security. It would be perhaps too simplistic to assume that agricultural liberalisation would by itself be able to overcome the problem of food security. Free trade in agriculture is not without its long term social and economic ramifications. India would therefore like to suggest that it would help to clarify Member's perception, if during this process of analysis and exchange of information the Committee consider certain

specific examples where agricultural liberalisation may have had some undesirable effects, specially from the point of food security. This would help identify those areas, policies and practices which may have had such an effect and which the impending round of negotiations would provide an opportunity to rectify.

3. Issues relating to domestic support commitments, export subsidies, notification requirements and technical assistance also need to be similarly examined. A good way would be to encourage developing countries to submit papers on these issues. However, it may be necessary for the Secretariat to provide technical assistance to these delegations so that they can appropriately organise their country experiences in the form of submission papers.
4. In this context we also support the suggestion made earlier, that organisations like FAO, UNCTAD, WORLD BANK, etc. which have done some excellent work in this area are invited to make general contributions on issues of interest to developing countries, particularly regarding the implementation and impact of the Agreement on Agriculture. These contributions could be in the form of papers which the Secretariat could circulate to Members. The relevant organisations could then be invited to a special meeting of the AIE process when their papers can be taken up for consideration.
5. We have highlighted only some of the issues of interest to developing countries. As evident there are a number of other critical areas and issues which need to be addressed during the course of the Analysis and Information Exchange process. Some of these we have listed in para 3 above. Others have been identified in the papers submitted by Pakistan, Peru, Dominican Republic and Cuba. This list is obviously not exhaustive. We would therefore suggest that as the Committee deliberates on the special and differential provisions, an evolving check-list of issues of interest to developing countries is prepared. This would help focus further work on special and differential treatment in the context of market access, food security, domestic support, notification requirements, special safeguards and technical assistance.



## Maran cautions against another Seattle and highlights trade issues

The first summit between India and the European Union (EU) concluded at Lisbon on June 28, 2000. Both bilateral trade issues of interest to India and multilateral issues dominated the Summit agenda. Prime Minister Mr. Atal Bihari Vajpayee in his address recognised that Indo-EU trade is yet to achieve its potential. Commerce and Industry Minister, Mr. Murasoli Maran exchanged views on bilateral trade relations with the EC Trade Commissioner, Mr. Pascal Lamy and the Portuguese Deputy Secretary of State and Minister of Economy, Mr. Vitor Ramalho. While recognising the EU as India's largest trading partner, Mr. Maran suggested concrete measures for enhanced trade relationship. He flagged the issue of market access to Indian goods in the EU. He made particular reference to non-tariff barriers in the form of various sanitary and phyto-sanitary standards and other modes of physical standards experienced by Indian exporters. The Minister hoped that EU would give additional lead time for restructuring the industry to meet the changed requirements. Mr. Maran also conveyed his concern about the increasing EU trade defence measures in the form of anti-dumping and anti-subsidy investigations.

It was conveyed to the EC officials that the insignificant share of India's exports, i.e. 1.3% in EU import basket should not be causing injury to the European industry. An important market access related irritant has been the denial of textile exceptional flexibility by the EU. Commerce Minister Mr. Maran urged the EU for immediate release of partial flexibility of 3500 tonnes and also for the release of balance 4500 tonnes

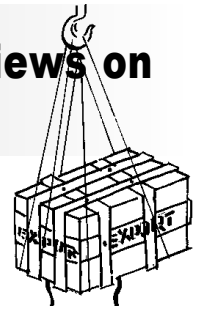
in a time-bound manner, to enable utilisation by Indian exporters within the year 2000. The EU Trade Commissioner assured a positive response from his side. Mr. Pascal Lamy also assured Mr. Maran that the EU would consult India before any change in the Duty Derogation Scheme relating to Indian rice, particularly Basmati. Additional sugar quota for India was also flagged during the Summit.

India's position on multilateral trade issues was also made abundantly clear by Mr. Maran. While committing India for a strong rule-based multilateral trading system, Mr. Maran conveyed in clear terms that the WTO process could not be burdened by non-trade issues. He particularly pointed out attempts at disguised protectionism in the form of labour and environment subjects linked with trade under the umbrella of trade. He particularly expressed concern over the increasing obligations on the developing countries. He expressed the hope that fairness and perceptions of fairness should not be lost sight of. He recognised that there was no convergence of views on various trade-related issues and efforts to introduce contentious non-trade issues had further distanced the goals of consensus and confidence building. **While agreeing to engage India in all endeavours for strengthening the multilateral trading system, he asked for averting another Seattle. The Indo-EU declaration has accordingly highlighted the Indian concerns for giving priority to implementation issues and constructive negotiations on the built-in agenda of the WTO.**



# Trade & Development prospects - An exchange of views on the 3rd Ministerial WTO Conference and UNCTAD X

*(Statement of Shri Murasoli Maran at the 5th Meeting of the Ministers of Trade/Economy of the G-15\* Cairo, 15th June, 2000)*



"I am delighted to be here today among friends to discuss issues of great interest to all of us. Mr. Chairman, I am grateful for your hospitality and warmth of your welcome. Please allow me, Mr. Chairman to thank through you, President Hosni Mubarak and the Government of Arab Republic of Egypt for the excellent arrangements made for the Summit including today's conference.

**We all know the reasons for the failure of the Seattle Ministerial Conference. Let us go to the roots of the matter. There is a proverb that just because the camel knelt down, it was loaded. We the developing countries met with the same fate in the Uruguay Round, because we knelt down. We succumbed to bilateral and multilateral pressure and signed the agreements on the dotted line. Perhaps we could have limited the damage if we had been together. But the Round also saw the collapse of co-ordination amongst the developing countries. As Mr. Rubens Ricupero, Secretary General, UNCTAD has said "Some countries did not realise what the implications of what they signed in the Uruguay Round would be and in many cases there are rules whose effects only become perceptible when they have to be implemented." The result is that we the developing countries now feel the millstone around our neck and the key issue is the need to remove that heavy burden - I mean - the inequities, imbalances and anomalies of the existing Agreements.**

**The inbuilt imbalances have come to light more dramatically during their implementation in the last five years. Far from treating us as a special category and treating us with special and differential treatment they have imposed onerous obligations on us. Promises made at the Uruguay Round regarding market access for our products still remain a mirage. On the contrary, the developed countries have cleverly found new methods of keeping our goods out, replacing tariff barriers with non-tariff barriers like health and safety standards. The frequency with which such standards are changed is only matched by their arbitrariness and lack of transparency. Standards are frequently imposed without adequate notice and knowing fully well that developing countries cannot meet them.**

**The textiles and clothing sector is of importance to most developing countries.** But despite the promises of meaningful liberalisation, the actual implementation has been very dismal. The developed countries till date have integrated only 4% of the restrained items. As the testimony of Julia A. Hughes, Chairman US Association of Importers of Textiles and Apparel to the US House Sub-committee on Trade reveals that "during the first seven years of this ten year transition, fully 93% of the trade in textiles and apparel will remain restricted..... Fully 89% of the quotas on clothing will remain in place till January 1, 2005." That is how they backload the scheme and backtrack on their commitments. Even in some areas where developing countries show competitiveness in some products, innovative trade defence measures, including anti-dumping and anti-subsidy investigations are initiated, effectively crippling their export effort.

**Not surprisingly, therefore, there is deep scepticism prevailing among our people about WTO and its attendant benefits.** They are asking a question: what is the use of signing new agreements when we are not in a position to address the difficulties in implementing earlier Agreements? This issue is agitating the minds of all sections, who are questioning the apparent inequity of the multilateral trading system. **Therefore, it is imperative that the issues of implementation of Uruguay Round Agreements are addressed upfront and key imbalances removed.**

**Ironically, we saw the world upside down in Seattle:** while developing countries were pleading for freer trade, the developed countries were seeking Trojan horses to hide their protectionist intentions. Why?

When the process of globalisation unleashed by the developed countries began to lead to the relocation of some manufacturing activities to low-wage countries, then there was a sudden upsurge of love and affection for the welfare of workers of the developing world. **And the pressure has been mounted to observe strict core labour standards. They want to take away our comparative advantages and condemn us once again to remain in the Third World in perpetuity. The issue was put to rest once and for all at**

**Singapore Ministerial Conference.** Why are we against it - even for establishment of a working group on this issue? For us, this issue will be like a proverbial camel's head in the tent. As the Wall Street Journal has pointed out editorially :

"Once established, any labour- environment working groups will be impossible to get rid of. Soon they will be determining everything from minimum wage rates to environmental standards that would preclude all sorts of development. ....It's hard to see why countries trying desperately to bring prosperity to their peoples should sign on to a deal giving politicians from rich countries the right to dictate Third World domestic policies in order to appease First World special interests and dilettantes."

**Most of us have experienced colonialism. We lost about two centuries because of colonialism. We are not prepared to lose the 21st century because of core labour standards.**

**Regarding environment, there is already a Committee on Trade and Environment working on the basis of an agreed work programme.** If they are very particular about environment, the debate in the Committee should have been on the concerns of the developing countries on becoming the dumping ground for toxic wastes from the developed countries. But instead, they are trying to amend the provisions of GATT for widening the environment window and to restrict and deny market access of the products of developing countries. **Their interest is not environment, but protectionism.**

There is also a dangerous trend evolving in the Appellate Body of the WTO giving clever interpretations of the WTO provisions, thus, undermining the intent of the Membership by upholding unilateral trade measures in the name of environment. **The time has come for the Members to put an end to this dangerous trend of protectionism by the back door.**

**All this does not bode well for the multilateral trading system.**

Why should there be a move to 'strengthen' the coherence between WTO and Bretton Woods institutions?

Why should there be similar moves to include non-trade issues?

Because WTO has the 'rule of law'; because once WTO's Appellate Body has declared a country's law WTO - inconsistent, the concerned country has to either change its law or face punishment in the form of trade sanctions and cross retaliation.

Because WTO can bite (while other organisations can only bark) they want to make it a 'world government' subsuming the sovereignty of nations - Any such effort would worsen the fears of "globophobia" and undermine the very institution itself.

After Seattle the question reverberating around the world is: **Has globalisation gone too far? There is a growing feeling that the decisions affecting the daily lives of millions of citizens - the farmer, the small shopkeeper in the street-corner and the work force - should not be hijacked away from our national parliamentary institutions and subjected to the vagaries of unbalanced international negotiations and organisations.**

**This is why we believe that the most important item in the WTO agenda is the restoration of its credibility. This can only happen if the imbalances, inequities and anomalies of the past are addressed frontally. This is why we argue that implementation issues must be tackled first of all. This is why we are against introduction of new issues in the WTO agenda -** because the developing countries have their old fears - that they would be the main targets for extracting concessions; that the new subjects of interest to developed countries would take priority over the issues of interest to developing countries; and that the subjects of interest of developing countries as yet unaddressed would be relegated to the background.

First, we should reform WTO and it is time for a major re-think, WTO's remit needs to be restricted to trade and trade alone.

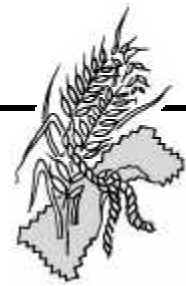
**Second, all countries must be allowed to liberalise at their own pace, like every major industrialised county like USA, Japan, Germany etc. did in the past.**

**The culture, needs and desires of the countries should be recognised and respected.**

**If developing countries do not realise this danger to their own interests and once again repeat the mistakes of the past then it will be tantamount to committing collective 'harakiri'.**

Last time, faced with depression, fascism and the Second World War we had a re-think of how we manage global affairs. This time, we should see the writing on the wall and the re-think before it is too late.

**Mr. Chairman, in our view the G-15 has a major responsibility in pressing the concern of developing countries to the top of the WTO agenda and I would like to thank you for giving me this opportunity to state our views in this regard.**



## EU has open market, but still holds back on agriculture and textile products, says WTO

A World Trade Organisation (WTO) report says that market access barriers for textiles and clothing in the European Union (EU) are significant due to higher tariffs and quotas in place. Further the report says that conditions of market access on agricultural products in the EU are adversely affected by the operation of the Common Agriculture Policy (CAP). This is despite the continued European Union participation in WTO trade initiatives which have resulted in a basically open market for industrial products with a simple average tariff of 4.2 per cent in 1999, down from 4.9 percent in 1997, says the new WTO report on the trade policies of the EU.

The new WTO report, along with a policy statement by the European Commission, will serve as the basis for the trade policy review of the EU which will take place on 12 & 14 July, 2000 in the Trade Policy Review Body of the WTO.

### Other highlights of the WTO report are:

- Anti-dumping measures are in place on imports of iron and steel products, electronic products and chemicals from a number of origins. The report states that a rising trend for measures in force is expected for 2000, since the number of new investigations initiated in 1999 trebled. The report notes that state aid undermines conditions of competition in parts of the manufacturing sector, since aid levels (except for Germany) have stayed the same since 1997.
- In the agricultural sector, the report states that conditions of access continue to be determined by the CAP. The EU's policy to maintain high levels of self-sufficiency in primary agricultural products- including wheat, dairy products and meat - has direct spillover effects on world markets. At the border, high tariffs apply - a simple average estimated at 17.3% - although tariff quotas provide access for WTO Members at zero or reduced rates on high-tariff items, as well as for imports from preferential trade partners.
- In 1999, the EU spent some Euro 45 billion (US \$ 50 billion) on the CAP, making agriculture - at 45% of the budget - the most visible item of its expenditure. OECD estimates indicate that the level of support to agricultural producers in 1998-99 reached the previous historical high of 1986-88. However, the nature of the support has shifted from market price support to direct payments (which are subject to production limiting programmes), a trend which continues for cereals, dairy and meat **with the CAP reform agreed in 1999.**
- The report notes that trade relations with only eight WTO Members are fully inside the WTO due to EC's numerous preferential trade agreements and arrangements. Most Favoured Nation (MFN) treatment applies only to imports from: Australia, Canada, Hong Kong, China, Japan, Republic of Korea, New Zealand, Singapore and the United States. The most beneficial treatment is granted to least-developed countries and African, Caribbean and Pacific (ACP) countries with 95% of lines duty free, followed by regional trade agreements (80%) and beneficiaries of EU's Generalised System of Preferences (GSP) (54%).
- The report also notes that the EU's new generation regional trade agreements require the partner to make a greater commitment to market access for EU products than in past. "Euro-med" free-trade agreements are in place with Israel, Jordan, Morocco, the Palestine Liberation Organisation and Tunisia. A free-trade agreement with South Africa came into force in 2000. The EU's first preferential trade agreement in the Americas was concluded in November 1999, with Mexico, and negotiations started in 2000 with Chile and MERCOSUR.
- At the bilateral level, the EU aims to reduce non-tariff barriers to trade resulting from product regulations and standards, a market access issue, both in the EU market and with its trading

partners. The report notes that the EU has concluded mutual recognition agreements on the results of conformity assessment with Australia, Canada, New Zealand, Switzerland, and the United States, and it is negotiating one with Japan. The report adds that for the future, market access conditions for exporters of foodstuffs are likely to be affected by the EU's policy of greater food safety, linked to a number of "food scares" at EU level.

- In the services sector the report notes the EU's commitment to continue removing restrictions to competition and trade, although the pace of liberalisation is more advanced in telecommunication and financial services than in transport or audio-visual. The opening to competition of telecommunication services and infrastructure in the EU in 1998, including to foreign operators, was largely the result of the successful conclusion of WTO negotiations. The market is valued at Euro 183 billion, on par with the size of the United States' market. Its openness will

give a boost to the development of the new economy.

- In financial services the EU's WTO commitments came into force in March 1999, extending the 'single passport' concept to foreign providers of banking and insurance services, both dynamic sectors of the EU market. The introduction of the Euro in 1999 also gave a major boost to the integration of the European capital markets.

(Source: WTO release no. Press/TPRB/137 dated 4 July 2000)

***N.B. Trade Policy Reviews are an exercise, mandated in the WTO agreements, in which member countries' trade and related policies are examined and evaluated at regular intervals. Significant developments which may have an impact on the global trading system are also monitored. For each review, two documents are prepared: a policy statement by the government of the member under review, and a detailed report written independently by the WTO Secretariat. These two documents are then discussed by the WTO's full membership in the Trade Policy Review Body (TPRB). These documents and the proceedings of the TPRB's meetings are published shortly afterwards. Since 1995, when the WTO came into force, services and trade-related aspects of intellectual property rights have also been covered.***

## **GEORGIA BECOMES 137th MEMBER OF WTO**

On 14 June 2000, Georgia became the 137th member of the World Trade Organisation. Georgia is the fourth former Soviet republic to become a member government of the WTO, after the Kyrgyz Republic, Latvia and Estonia. Armenia, Azerbaijan, Belarus, Kazakstan, Lithuania, Moldova, Russia, Ukraine and Uzbekistan are in the process of negotiating their terms of entry to the WTO.



# Monthly update from PMI\*/Geneva-I

(15 May - 15 June, 2000)



## General Council

Though the General Council did not meet formally during this period, the Chairman of the **General Council carried out informal consultations in preparation for the Special Session on Implementation which was scheduled to be held on 22 June and 3 July 2000.** The main focus of the consultations continued to be the organisation of work and indicative schedule of meetings that the Council could follow in addressing the implementation issues. **In all these consultations, India took the stand that implementation issues have been on the table for more than a year and that it was, therefore, imperative for the General Council to start taking concrete decisions to address these concerns, rather than to merely continue a theoretical debate on the various agreements.** India also continued to hold that there must be at least three special sessions of the General Council during the year 2000 and that at least by the second of these special sessions, i.e. the one scheduled to be held in October 2000, the Membership should have taken concrete decisions in certain areas, specially with relation to the urgent issues which developing countries had identified in para 21 of the draft ministerial text prepared for the Seattle Ministerial Conference. A number of developing countries supported India during this process and the draft decision which the Chair finally arrived at and which has now been adopted by the General Council, has reflected some of these concerns.

## Services

**The Council for Trade in Services met on 26 May, 2000.** The Council heard reports from the Chairpersons of different bodies working under the Council for Trade in Services viz. GATS Rules, Committee on Specific Comments and Working Party on Domestic Regulations. More importantly, the Council for Trade in Services adopted a work programme for the first phase of negotiations under Article XIX of the GATS.

## Trade and Investment

**The Working Group on the Relationship between Trade and Investment met on 8-9 June.** This was the

first time that the Working Group was meeting in the year 2000. The Working Group took stock of the papers submitted under the various agenda items so far. **India made an intervention in the Working Group, basically making the point that the issue was complex and further work needed to be done in the study process of this Working Group.**

## Trade and Competition Policy

**The Working Group on the Interaction of Trade and Competition Policy met on 15-16 June.** It was also the first time the Working Group was meeting in the year 2000. The Group took note of fresh submissions made by EC, Japan and Korea. **India made an intervention, explaining our position that the issue still has many dimensions which have not been sufficiently understood by the Membership and that further work needs to be done in the Working Group.**

## ITCB Council Meeting

The ITCB Council met in Guatemala City between 29 May and 1 June. After the meeting, **a joint communiqué was issued by the ITCB membership in which the absence of commercially meaningful integration by the developed importing countries was highlighted and the demand by these countries for reciprocal market access from developing exporting countries was categorically rejected.** The Communique concluded by expressing the hope that in the 3rd stage of integration, the developed importing countries will carry out commercially meaningful integration through substantial liberalisation.

## Dispute Settlement Body (DSB)

During the period between 15 May to 15 June, DSB met five times.

While a regular meeting was held only once on 18 May, three special meetings and an informal meeting were convened to consider the matters of urgency or of interest to the members.

At the informal meeting held on 17 May, WTO members exchanged views, inter alia, on India's proposal for one time non-renewable appointment of Appellate Body

(AB) members for 5 to 6 years term. There was a broad agreement to consider further the issues involved in the proposal.

At a special meeting held on 25 May, DSB accepted the Selection Committee recommendation and appointed Japanese nominee, Professor Yasuhei Tanuguchi for the remainder of the term of late Mr. Christopher David Beeby, who died on 19 March 2000. This is the third such appointment to the AB in this year.

**It may be recalled that DSB appointed former Commerce Secretary of the Government of India, Mr. A.V. Ganesan and Egyptian nominee, Prof. Abi-Saab as AB members on 7 April, 2000.**

## Trade Policy Review Body

A meeting of the Trade Policy Review Body was held on 30 and 31 May 2000 to conduct the Trade Policy Reviews of Peru.

## Working Group on Transparency in Government Procurement

**The tenth meeting of the Working Group on Transparency in Government Procurement was held on 7 June 2000.** The Members maintained their respective positions with regard to the various items on the Checklist. For the first time, the Chairman had, on his own responsibility, circulated an annotated agenda, with a view to having a focussed discussion in the Working Group. The United States introduced a proposal calling for a work programme for co-ordinating international technical assistance in the area of transparency in government procurement. It suggested that the Working Group could draw up a concrete plan of action for capacity building in this area. The Working Group agreed to discuss this proposal at the next meeting. It also agreed to request the Secretariat to prepare a note giving a compilation of the technical assistance programmes already available in this area, both in the WTO and other international intergovernmental organisations. So far, no date has been fixed for the next meeting of the Working Group.

## Working Group on Assessed Contributions

Two informal meetings of the Working Group were held on 30 May and 9 June 2000. So far, no

recommendation has emerged. The general consensus among the Members of the Working Group is that the base period for calculation for the contribution to the WTO Budget should be the same for all Members, if not for most of the Members. It was also pointed out by some that recent data should be used for this calculation. Hungary has proposed that the contribution be based on five years' data instead of the present system of using a three-year data. The next meeting of the Working Group is scheduled for 21 July 2000.

## Working Party on the Accession of Nepal to the WTO

**The Working Party held its first meeting on 22 May to conduct its examination of the request of Nepal to accede to the WTO, which will culminate in its recommendation to the General Council/ Ministerial Conference of the WTO on terms and conditions of Nepal's accession to the WTO. India, and some other WTO Members, welcomed the commencement of the work of the Working Party.** This meeting was substantive, and represented a thorough first reading of the information on the foreign trade regime of Nepal and associated documentation provided by Nepal. The next meeting, which will be scheduled in the second half of 2000, is expected to initiate bilateral market access negotiations between Nepal and interested WTO Members, and will consider detailed legislative action plans of Nepal for bringing its legal and administrative regime in conformity with the WTO Agreement.

## Working Party on the Accession of the Russian Federation to the WTO

**The Working Party continued its examination of the request of Russia to accede to the WTO at a meeting held on 25 May.** The meeting was summarised as constructive and positive, and saw a focussed exchange of views on the policies and practices of Russia in industrial subsidies, customs valuation, technical barriers to trade and sanitary and phytosanitary measures. The market access offers of Russia on goods and services were also discussed. This discussion marked a new phase in the process of accession of Russia to the WTO, and also highlighted the central importance of legislative reform in Russia in advancing all aspects of its accession to the WTO.

# Monthly update from PMI\*/Geneva-II

(15 June - 15 July, 2000)



## General Council

An informal meeting of the General Council was held on 4 and 11 July, in preparation for the General Council meeting scheduled to be held on 17th July. On the first day i.e. on 4th of July, the General Council took up the matter relating to the observer status for international inter-governmental organisations, the procedures for the appointment of the Director General and the accreditation of Permanent Representatives to the WTO. As for the first two issues, the Chairman of the General Council informed Members that he had consulted Members on this issue and that he would continue to hold consultations in an attempt to find some solution before the 17th July meeting. As far as accreditation of Permanent Representatives (PRs) to WTO was concerned, there appeared to be broad agreement that Permanent Representatives accredited to both the UN and the WTO should present their credentials separately to the two organisations. As far as de-restriction of documents and the scheduling of meetings was concerned, the Chairman informed that the Deputy Director General, Mr. Miguel Rodriguez, was consulting Members on his behalf and that he would also report the progress to the General Council on the 17th of July. Subsequently, on 11th July, the Council took up consideration of the **two remaining items relating to the future work programme on electronic commerce and the issue of internal transparency.** As far as the issue of electronic commerce was concerned, the Chairman proposed that the Members agree to invigorate the work under the work programme on electronic commerce. He, however, at the insistence of India

and a number of other developing countries, clarified that this would be without prejudice to the status of the 1998 Declaration on Electronic Commerce and would also be without prejudice to Members' rights and obligations. It was also suggested that the subsidiary bodies should continue their work in this regard without leaving out any issue a-priori. The subsidiary bodies would report back to the GC before the December meeting. The General Council could thereafter consider the structure of its future work, including on the question of the constitution of an ad hoc task force in this regard.

As far as internal transparency was concerned, the Chairman circulated a draft statement that he stated he wished to make in the General Council meeting scheduled to be held on 17 July, 2000. Most developing country Members, including India, felt that the statement, purportedly based on Members' common understanding, was not entirely appropriate since it indirectly seemed to legitimise the small informal green room type consultations, without specifying some of the in-built safety checks and mechanisms which countries like India had suggested. Accordingly, Members impressed on the Chairman that he should at best make only a brief factual statement, giving the status of his consultations at this interim stage. The general view was that the working within the organisation had, since these consultations had started, improved. **However, it was also generally felt that a lot of work was still needed to be done to ensure the participation of smaller delegations in all decision making processes within the organisation.**

*\*Permanent Mission of India*

At the same time, during this period, the Deputy Director General, Mr. Miguel Rodriguez, carried out consultations on the de-restriction of WTO documents. A number of developed countries including the US and EC had in the pre-Seattle period made proposals to expedite the de-restriction of WTO documents, particularly the minutes of the WTO meetings. However, a number of Latin American countries as well as the non-English speaking members of the EU were of the opinion that while expedited de-restriction was a good objective, it should be done only after the documents have been translated into all three languages of the WTO. The matter remains suspended on this issue since the Secretariat, at least for the present, does not have adequate resources to ensure early translation of all documents. This issue was proposed to be taken up in the General Council meeting scheduled for 17 July 2000.

## **Special Session on Implementation**

**The General Council decided on 22 June to set up a special mechanism to deal with Implementation issues with a specific mandate. Consequently, the Special Session of the General Council devoted to Implementation issues met on June 22 and July 3. The important task before the Special Session was to build on the achievements of the 3rd May meeting by deciding on the 'Organisation of Work and Indicative Schedule of Meetings - 2000' in the light of the decision taken by the General Council in its meeting of 3rd May 2000. The outcome of the meeting was favourable to the developing countries to the extent that the 'Organisation of Work' adopted by the General Council has not**

**diluted the original emphasis and time bound nature of the redressal of the implementation issues as contained in the 3rd May draft. Most importantly, there are repeated references to the 3rd May decision of the General Council and also that the process for resolution of Implementation issues "should be completed no later than the Fourth Session of the Ministerial Conference".** The Session took up the proposals contained in paragraph 21 of the draft ministerial declaration dated October 19, 1999, agreement by agreement. **The Session basically saw a detailed explanation of the proposals by countries such as India.** The developed countries took note of the proposals without making any specific commitments. **The Special Session will resume in October.** Meanwhile, the Chairman of the General Council will hold informal consultations with WTO Members on the various Implementation issues.

## **Committee on Trade and Environment**

**The Committee on Trade and Environment met on July 5 and 6, in formal session.** It heard reports from the international Secretariats of the Montreal Protocol, Convention on Climate Change, CITES etc., which are all multilateral environmental agreements. After this information session, the CTE considered the various agenda items. **In particular, the item dealing with the relationship between environment and the TRIPs agreement had a lively discussion, with India submitting its national experience in the area of bio-diversity and traditional knowledge through its paper No. WT/CTL/W/156 dt. 14th July 2000. The paper was welcomed by a majority, including Canada, Norway, Peru, Malaysia, Brazil, Cuba. USA was also happy to take note of the information**

provided, but said that they do not share the notion of biopiracy, as the patents are being revoked and therefore the system is working.

## TRIPS Council

The TRIPS Council meeting was held on June 26-30, 2000. The IPR legislations of 13 developing countries who had volunteered for the review were discussed. The reviews under Articles 24.2 & 27.3 (b) of TRIPS were also discussed, as also the issue of extension of moratorium on the non-violation clause\* under TRIPS.

EC and US submitted two proposals on the last mentioned issue. The outcome of the meeting was useful to us as a number of countries agreed with the Indian proposal that there has to be concomitance between the negotiations on a register for wines and the proposal for the grant of additional protection to other geographical indications on par with wines. The Indian intervention favouring a focussed discussion on issues under the Article 27.3 (b) review on the basis of a checklist of issues identified by the Chairman of the TRIPS Council also gathered a large support.

## Council on Trade in Services

A series of meetings were held in Geneva in July on various aspects of Services negotiations. The most important meeting was the Special Session of the Council on Trade in Services held on 13th July, 2000 which has been mandated by the General Council to

take forward the Article XIX negotiations under GATS. The crucial element discussed in this meeting related to the Negotiating Guidelines and Procedures for the Negotiations, which are a prerequisite for actual negotiations to begin, with the EC and the US submitting separate proposals in this regard at the last minute, prior to the meeting. Consequently, most of the delegations reserved their rights on these proposals, which would come up for detailed examination in the Committee subsequently.

The US proposal is for the finalisation of negotiating guidelines and procedures by the October 2000 Services Session. However, this had very few takers since the time is too short for finalisation of such an important issue. India's initial reaction also would be that Members would need time and that one should not rush through the most important element of the negotiations. Further, there are quite a few deviations in the US and EC proposals from the Draft text on Services as was taken to Seattle which could drastically change the structure of the negotiations. These relate to the EC Proposals that negotiations should aim at reducing the imbalances in commitments across Members and that the general level of commitment must be increased; and the US Proposal that the starting point for requests in the negotiations should be the actual ground level conditions. Both these are prima-facie totally unacceptable and outside the Article XIX mandate.

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### \* Non-violation clause under TRIPS

*Article XXIII of GATT, 1994 deals with dispute settlement. It allows complaints of two types: violation complaints and non-violation complaints. Complaints against measures taken by Members which involve failure to meet their obligation's under GATT are called violation complaints. Complaints against measures which do not conflict with the provisions of GATT but nevertheless nullify or impair any benefits accruing to the complaining party under GATT are called non-violation complaints. Article 64 of TRIPS provides that non-violation complaints will not be permitted on TRIPS issues up to 1.1.2000 and that TRIPS Council, before that date, would examine the scope and modalities for such complaints and submit its recommendations to the Ministerial conference. The TRIPS Council has so far failed to make any recommendations in this regard.*

Another crucial aspect related to the issue of Cluster Approach\* in negotiations as opposed to the Request & Offer Approach.\*\* The latter Approach was used in the Uruguay Round and has the advantage of allowing complete flexibility to an individual Member to liberalise across Service sectors and modes of supply as per their developmental needs and priorities. Developed countries, particularly EC, Australia and the US are pressing for use of Cluster Approach in addition to the Request and Offer Approach.

The proposals on Cluster Approach made by EC and Australia were discussed in detail. India is strongly opposed to the Cluster Approach. We got some support from ASEAN, Mexico and Pakistan on this issue in this meeting. It has been decided that the Secretariat would prepare a paper on this issue based on the proceedings in the last two meetings.

## Information Technology Agreement

The second informal meeting of the Customs Experts under the Information Technology Agreement was held on 13-16 June 2000 to discuss the issue of 'classification divergences' under this Agreement. While there was appreciation of the positions of Members, divergences still persisted at the end of the meeting on 16 June 2000. It was agreed to present the factual situation on the issue to the full Committee at its meeting scheduled for October 2000 for considering the future course of action. It is expected that the Rapporteurs' summary of discussions on the experts' meeting would be circulated well in advance of the

meeting to allow delegations to reflect their positions and to see whether any flexibility could be possible to narrow the divergences.

## Meetings of the Trade Policy Review Body

Meetings of the trade policy review body were held on 21/23 June, 3/5 July and 13/15 July to conduct the trade policy reviews of Norway, Poland and the European Union.

## Committee on Sanitary and Phytosanitary Measures

**The 18th meeting of the Committee on Sanitary and Phytosanitary (SPS) Measures was held on 21-22 June.** While various SPS measures including that of India's ban on bovine semen imports from Canada were raised, the Committee adopted the Article 5.5 guidelines *ad referendum*. **The Committee also considered in detail the Special and Differential (S&D) Treatment for the developing countries under its standing agenda item on "The SPS Agreement and the Developing Countries". It was also agreed to discuss the issue of S&D treatment informally before the next formal meeting on 8-9 November 2000.** The subject of focus under this standing agenda item for the next meeting would be 'equivalence'. The Committee also adopted the following tentative dates of meetings of the Committee in 2001, namely, 14-15 March, 10-11 July and 24-25 October.

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### **\*Cluster Approach**

*A series of related sectors/sub-sectors may be clubbed together for the purpose of scheduling and commitments may have to be taken for all of them by Members. This greatly reduces the flexibility available to a Member for choosing its sectors.*

### **\*\*Request & Offer Approach**

*Each Member make specific requests to other Members for liberalisation in sectors of interest to them by the other Member. Similarly, each Member makes a specific offer on the extent of liberalisation that it is willing to undertake in sectors chosen by it. There is full flexibility in such an approach.*

## Committee on Regional Trade Agreements

**An informal meeting of the Committee on Regional Trade Agreements (CRTA) was held on 30 June to consider** (i) the issue of Chairman's Guidelines on Examination Reports and (ii) the systemic issues. Under the first issue, after consultations, it was decided that Chairman would issue the revised draft guidelines for consideration by the Members. The revised draft has since been circulated and Members have been requested to give their comments by 24 July. Under the same issue, the Chairman had circulated re-drafts of four examination reports based on the draft Chairman's guidelines on examination reports. The Members have been advised to furnish their comments by 24 July. On the second issue, the Chairman's guidelines on systemic issues have been issued and the Secretariat would conduct thematic surveys as proposed in these guidelines.

The 26th Session of the CRTA was held on 6-7 July 2000. At this session, the Chairman reiterated his request to the Members for giving their comments by 24 July 2000 on both the Chairman's guidelines on examination reports and the redrafts of the four examination reports. On the systemic debate, the Committee agreed to request the Secretariat to come up with its first horizontal background paper on internal trade liberalisation of RTAs, based on the thematic surveys to be conducted in accordance with the Chairman's guidelines before the next meeting. The Secretariat was also requested to update the mapping document circulated last year regarding the whole gamut of regional trade agreements. During the session the CRTA examined 10 agreements listed in the agenda. It also considered the issue of examination of biennial reports submitted by the partners to the notified RTAs. A deadline of 31 July was set for the purpose of

giving comments on the biennial reports already on the agenda, while it was agreed that responses thereto from the concerned RTA partners would be submitted by 30 September. It was also agreed that the Chairman would hold informal consultations with a view to agreeing to a procedure for examination of these reports and for making recommendation to the concerned WTO Body. The suggested date for these consultations was 19 September 2000. It was also decided to hold the next session of the CRTA on 12-13 October, 2000.

## Committee on Trade and Development

**The Committee on Trade and Development held its 29th Session on 28 June and 10 July. The session continued its discussion at the 28th Session on the Special and Differential Treatment for the Developing Countries.** There was an extensive discussion on the issue of technical co-operation. The Secretariat gave its report on technical co-operation activities during 1999, the Interim Evaluation Reports on these activities the Framework for monitoring and evaluating these activities. The Secretariat also submitted its Manual for WTO Secretariat Staff dealing with these activities. The Committee approved its Work Programme for the year 2000.

## Committee on Budget, Finance and Administration

A meeting of the Committee on Budget, Finance and Administration was held on 3 July. At this meeting the Committee recommended to the General Council that *pro-rata* contribution to the 2000 Budget of the WTO amounting to Swiss Francs 10,405 based on an annual contribution of 0.015 per cent, taking into account the international trade statistics for the years 1994, 1995

and 1996, be made by Georgia consequent upon its accession to the WTO on 14 June 2000. Further, the Committee recommended to the General Council that Georgia be assessed to make an advance of Swiss Francs 38,650 to the WTO's Working Capital Fund. The Committee also decided to set up a Working Group on Non-Governmental Contributions to the WTO, the first meeting of which is scheduled for 24 July, 2000.

## Dispute Settlement Body (DSB)

During this period DSB held two meetings: one regular and another special meeting. **The regular meeting was held on 19 June 2000. At this meeting US formally requested for establishment of a panel to examine "India - Measures affecting Trade and Investments in the Motor Vehicles Sector". As we opposed that request, the Panel was not established. In the meeting we took the view that our auto policy was not a TRIMs. We said that even if for arguments sake it was considered as a TRIMs, it was a transitional period issue which was, as it is, under consideration of WTO Members. In this**

**connection we recalled the General Council statement of 17 December 1999 and General Council decision of 8 May 2000, which called for consultations to address this issue. We stated that these were meant to be confidence building measures and therefore requested the US to reflect carefully upon the impression that its panel request might create among the developing countries. We welcomed the US conciliatory tone and its willingness to hold further consultations.**

At that meeting, DSB established a panel at the request of Pakistan on the dispute: **"US Transitional Safeguard measure on Combed Cotton Yarn from Pakistan"**. India and EC became third parties to these panel proceedings. Further, DSB adopted panel report on **Korea - Measures Affecting Government Procurement** and the Panel and AB reports on **Canada - Certain Measures Affecting the Automotive Industry**. In the special DSB Meeting held on 7 July, the US expressed its intention to implement DSB rulings in US - UK Bismuth steel case (DS 138). The Panel and Appellate Body reports on this dispute were adopted by DSB on 30 June 2000.



## Schedule of Meetings at the WTO, Geneva : July & August 2000\*

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### July, 2000

- 3/7/2000 : Committee on Budget, Finance and Administration
- 3/7/2000 : **GENERAL COUNCIL - Special Session on Implementation**
- 3&5/7/2000 : Trade Policy Review Body - Poland
- 3/7/2000 : Working Party on the Accession of Albania
- 5&6/7/2000 : Committee on Trade and Environment
- 5&6/7/2000 : **COUNCIL FOR TRADE IN SERVICES** (MFN review)
- 6/7/2000 : Special Dispute Settlement Body
- 6&7/7/2000 : Committee on Regional Trade Agreements
- 6/7/2000 : Working Party on the Accession of Oman
- 7/7/2000 : **COUNCIL FOR TRADE IN GOODS**
- 7/7/2000 : Working Party on GATS Rules
- 11/7/2000 : Committee on Specific Commitments
- 11-13/7/2000 : Committee on Government Procurement
- 12-14/7/2000 : Trade Policy Review Body - European Union
- 12/7/2000 : Working Party on Domestic Regulation
- 12/7/2000 : Working Party on the Accession of Ukraine
- 13/7/2000 : Committee on Financial Services
- 13&14/7/2000 : **COUNCIL FOR TRADE IN SERVICES**
- 14/7/2000 : Working Party on State Trading Enterprises
- 17/7/2000 : **GENERAL COUNCIL**
- 17-19/7/2000 : Textiles Monitoring Body
- 18/7/2000 : Committee on Government Procurement
- 18/7/2000 : Committee on Rules of Origin
- 19&20/7/2000 : Workshop on Technical Barriers to Trade
- 21/7/2000 : Committee on Technical Barriers to Trade
- 21/7/2000 : Sub-committee on Least Developed Countries
- 27/7/2000 : Dispute Settlement Body

### August, 2000

- 4/8/2000 : Dispute Settlement Body

\*Source : WTO / Geneva as on June 30, 2000

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